

1-1 By: Ellis S.B. No. 825
1-2 (In the Senate - Filed February 12, 2009; March 4, 2009,
1-3 read first time and referred to Committee on Business and Commerce;
1-4 May 19, 2009, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 8, Nays 0; May 19, 2009,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 825 By: Fraser

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the designation of certain areas as banking development
1-11 districts to encourage the establishment of financial institution
1-12 branches in those areas.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Subtitle Z, Title 3, Finance Code, is amended by
1-15 adding Chapter 279 to read as follows:

1-16 CHAPTER 279. BANKING DEVELOPMENT DISTRICTS

1-17 SUBCHAPTER A. GENERAL PROVISIONS

1-18 Sec. 279.001. DEFINITIONS. In this chapter:

1-19 (1) "Finance commission" means the Finance Commission
1-20 of Texas.

1-21 (2) "Financial institution" means a state or national
1-22 bank, a state or federal savings bank, or a state or federal savings
1-23 and loan association.

1-24 (3) "Local government" means a municipality or county.

1-25 [Sections 279.002-279.050 reserved for expansion]

1-26 SUBCHAPTER B. POWERS AND DUTIES OF FINANCE COMMISSION

1-27 Sec. 279.051. ADMINISTRATION OF PROGRAM. The finance
1-28 commission shall administer and monitor a banking development
1-29 district program under this chapter to encourage the establishment
1-30 of branches of a financial institution in geographic areas where
1-31 there is a demonstrated need for banking services.

1-32 Sec. 279.052. RULES. (a) Subject to Subsection (b), the
1-33 finance commission shall adopt rules to implement this chapter.

1-34 (b) The finance commission, in consultation with the Texas
1-35 Economic Development and Tourism Office, shall adopt rules
1-36 regarding the criteria for the designation of banking development
1-37 districts under this chapter. The rules must require the finance
1-38 commission to consider:

1-39 (1) the location, number, and proximity of sites where
1-40 banking services are available in the proposed district;

1-41 (2) consumer needs for banking services in the
1-42 proposed district;

1-43 (3) the economic viability and local credit needs of
1-44 the community in the proposed district;

1-45 (4) the existing commercial development in the
1-46 proposed district; and

1-47 (5) the impact additional banking services would have
1-48 on potential economic development in the proposed district.

1-49 [Sections 279.053-279.100 reserved for expansion]

1-50 SUBCHAPTER C. DESIGNATION OF BANKING DEVELOPMENT DISTRICT

1-51 Sec. 279.101. APPLICATION FOR DESIGNATION OF BANKING
1-52 DEVELOPMENT DISTRICT. A local government, in conjunction with a
1-53 financial institution, may submit an application to the finance
1-54 commission for the designation of a banking development district.

1-55 Sec. 279.102. APPLICATION BY FINANCIAL INSTITUTION TO OPEN
1-56 BRANCH IN DISTRICT. A financial institution may apply to open a
1-57 branch in the district at the time the local government submits an
1-58 application in conjunction with the institution under Section
1-59 279.101.

1-60 Sec. 279.103. APPLICATION BY FINANCIAL INSTITUTION WITH
1-61 EXISTING BRANCH IN PROPOSED DISTRICT. (a) A local government may
1-62 submit an application under Section 279.101 in conjunction with a
1-63 financial institution that operates a branch in the proposed

district at the time the application is submitted, if the branch was opened after December 31, 1996.

(b) The finance commission shall consider the importance and benefits of preserving the banking services offered by the branch located in the proposed district in making a determination under Section 279.104.

Sec. 279.104. DETERMINATION BY FINANCE COMMISSION.

(a) Not later than the 91st day after the date an application for the designation of a banking development district is submitted under Section 279.101, the finance commission shall make a determination regarding whether to approve the application.

(b) If the finance commission approves the application, the finance commission shall notify the:

(1) local government;

(2) financial institution;

(3) comptroller;

(4) Texas Economic Development and Tourism Office;

(5) lieutenant governor; and

(6) speaker of the house of representatives.

[Sections 279.105-279.150 reserved for expansion]

SUBCHAPTER D. DEPOSIT OF PUBLIC FUNDS IN BANKING DISTRICT DEPOSITORY

Sec. 279.151. DESIGNATION OF BANKING DISTRICT DEPOSITORY.

(a) The governing body of a local government in which a banking development district has been designated under Subchapter C may by resolution designate a financial institution located in the district as a banking district depository for purposes of this subchapter.

(b) A resolution adopted under Subsection (a) must specify the maximum amount that may be kept on deposit with the banking district depository.

(c) In calculating the yield under Section 2256.006, Government Code, of public funds deposited in a banking district depository, the governing body of a local government may consider the benefit to this state of stimulating economic development.

Sec. 279.152. DEPOSIT OF PUBLIC FUNDS BY LOCAL GOVERNMENT.

(a) A local government may deposit public funds with a financial institution designated as a banking district depository under Section 279.151 regardless of whether the financial institution is designated by the comptroller as a state depository under Subchapter C, Chapter 404, Government Code.

(b) Subject to an agreement between the governing body and the banking district depository, public funds deposited in the banking district depository may earn a fixed interest rate that is at or below the financial institution's posted two year certificate of deposit rate. The terms of the agreement must be specified in the resolution adopted under Section 279.151.

Sec. 279.153. DEPOSIT OF PUBLIC FUNDS BY STATE. (a) If the comptroller designates the financial institution as a state depository under Subchapter C, Chapter 404, Government Code, the comptroller may deposit public funds with a financial institution designated as a banking district depository under Section 279.151.

(b) For purposes of Subsection (a), a financial institution is subject to the collateral requirements of Section 404.031, Government Code.

(c) Subject to an agreement between the comptroller and the banking district depository, public funds deposited in the banking district depository may earn a fixed interest rate that is at or below the financial institution's posted two year certificate of deposit rate.

(d) In calculating the yield under Section 2256.006, Government Code, of public funds deposited in a banking district depository, the comptroller may consider the benefit to this state of stimulating economic development.

[Sections 279.154-279.200 reserved for expansion]

SUBCHAPTER E. BANKING DISTRICT BENEFITS

Sec. 279.201. TAX ABATEMENT. The governing body of a local government may enter into a tax abatement agreement as provided by Chapter 312, Tax Code, with a financial institution that owns

property in a banking development district.

SECTION 2. Subchapter B, Chapter 312, Tax Code, is amended by adding Section 312.2012 to read as follows:

Sec. 312.2012. BANKING DEVELOPMENT DISTRICT. (a) The designation of an area as a banking development district under Chapter 279, Finance Code, constitutes designation of the area as a reinvestment zone under this subchapter without further hearing or other procedural requirements other than those provided by Chapter 279, Finance Code, except that property is eligible for tax abatement under this subchapter only if the property is owned by a financial institution as defined by Section 279.001, Finance Code.

(b) The designation of an area as a reinvestment zone under this section is for purposes of this subchapter only and not for purposes of any other law, including Chapters 311 and 313.

SECTION 3. Subchapter C, Chapter 312, Tax Code, is amended by adding Section 312.4012 to read as follows:

Sec. 312.4012. BANKING DEVELOPMENT DISTRICT. (a) The designation of an area as a banking development district under Chapter 279, Finance Code, constitutes designation of the area as a reinvestment zone under this subchapter without further hearing or other procedural requirements other than those provided by Chapter 279, Finance Code, except that property is eligible for tax abatement under this subchapter only if the property is owned by a financial institution as defined by Section 279.001, Finance Code.

(b) The designation of an area as a reinvestment zone under this section is for purposes of this subchapter only and not for purposes of any other law, including Chapters 311 and 313.

SECTION 4. Not later than January 1, 2010, the Finance Commission of Texas shall adopt rules governing the designation of banking development districts, as required by Chapter 279, Finance Code, as added by this Act.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2009.

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